



Inter-Provincial Diversified

Holdings Limited

1976 ANNUAL REPORT

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President

William Zimmerman
Secretary

Board of Directors

Joseph Philip Dawson

Joseph Frieberg

Murray Frieberg

Murray Joseph Howe

Robert Scolnick

William Hewson Zimmerman

Auditors

Thorne Riddell & Co.
Toronto, Ontario

Head Office

Hwy. #7 and Keele Street
Concord, Ontario

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	1976	1975
Income	\$ 259,254	\$ 101,502
Earnings:		
Before extraordinary items	478,421	(538,114)
Extraordinary items	(6,176)	(51,365)
Net earnings	472,245	(589,479)
Earnings per share:		
Before extraordinary items	41c	(46c)
Net earnings	40c	(50c)
Total assets	8,035,296	6,772,317
Shareholders' equity	4,776,961	4,469,016
Common shares outstanding	1,180,251	1,180,251
Equity per common share	4.05	3.79

RESOLUTE HOLDINGS LIMITED **

Twelve Months Ended November 30

Sales	\$ 2,632,285	\$ 6,658,275
Net Earnings	122,394	266,594

HOWMARK OF CANADA **

Ten Months Ended December 31

Sales	\$ 6,665,587
Net Earnings	197,442*

STEINTRON INTERNATIONAL ELECTRONICS LTD.

Twelve Months Ended December 31

Sales	\$50,289,416	\$41,249,142
Net Earnings	1,079,146	907,323

UNITED TIRE & RUBBER CO. LIMITED

Twelve Months Ended December 31

Sales	\$28,516,687	\$23,445,116
Net Earnings (Loss)	133,941	(2,005,326)

* Assuming partners income tax of 50%

** Refer to notes 1 and 2

TO OUR SHAREHOLDERS

The Company enjoyed improved results for the 1976 year.

Consolidated net earnings were \$472,245 compared to a consolidated loss of \$589,479 in 1975.

Operating results of our affiliates reflected improvements in their sales and net earnings. All three companies had record sales. Steintron Electronics and Howmark of Canada enjoyed the best earnings in their history.

Steintron International Electronics Ltd. increased sales to \$50,289,416 for the 12 months ended December 31, 1976 from \$41,249,142 for the previous 12 months, an increase of 21.9%. Steintron operates a total of 11 House of Stein stores specializing in high fidelity audio products, and 28 Kelly Stereo Mart stores merchandising audio equipment and records. In addition, it operates 34 franchise stores. This is the largest network of fully integrated audio and record stores in Canada. We expect Steintron's growth to continue in 1977.

Howmark of Canada increased sales to \$9,297,872 for the 13 months ended December 31, 1976 from \$6,658,275 for the 12 months ended November 30, 1975. Net earnings for the 13 months ended December 31, 1976 were \$319,836 compared to \$266,594 for the 12 months ended November 30, 1975. We refer you to note 1 and note 3 of the audited financial statements which explain the corporate reorganization that took place during the year between Resolute Holdings Limited and Howmark of Canada. Howmark is one of Canada's largest importers of footwear.

United Tire & Rubber Co. Limited increased sales to \$28,516,687 from \$23,445,116 in 1975, an increase of 21.7%. Consolidated net earnings were \$133,941 compared to a consolidated loss of \$2,005,326 in 1975. The injection of a total of \$2,500,000 of new debt and equity capital into the Company in 1976 has strengthened United's financial position and will assist the Company in financing its future growth. United's position, both financially and operationally, entering 1977 is significantly better than it was at the beginning of 1976. United designs, manufactures, retreads, and services tires for the mining, forestry, construction, and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

In the 1975 annual report we referred to the partnership we entered into with an Edmonton-based real estate company, Tri-North Developments Ltd., to develop and subdivide industrial, commercial, and residential lots in Grande Prairie, Alberta. The venture has been a disappointment to date. We do expect, though, to show a reasonable profit from this venture and we are looking for an improvement in the sale of lots over the next 12 months.

The much improved results for 1976 were the result of a game plan designed to enhance the growth and profitability of our affiliates. Beyond 1976 we are confident that we can expect continued sales and earnings growth of our affiliated companies.

Joseph Frieberg
President

Robert Scolnick
Vice President

June 1, 1976

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Income

Year ended December 31, 1976

	1976	1975
Income		
Share of partnership income	\$ 208,363	
Interest and other income (note 8)	50,891	\$ 92,752
Preference dividends		8,750
	<u>259,254</u>	<u>101,502</u>
Expenses		
Interest on long-term debt	174,813	186,131
Other interest	49,967	51,353
Depreciation and amortization	4,159	4,253
Other expenses	173,687	173,959
	<u>402,626</u>	<u>415,696</u>
	<u>(143,372)</u>	<u>(314,194)</u>
Share of earnings (losses) of effectively controlled companies before extraordinary items (note 8)		
Steintron International Electronics Ltd.	607,917	492,000
United Tire & Rubber Co. Limited	20,084	(832,296)
Resolute Holdings Limited (note 1)	(6,208)	116,376
	<u>621,793</u>	<u>(223,920)</u>
Income (loss) before extraordinary items	<u>478,421</u>	<u>(538,114)</u>
Extraordinary items		
Allowance for decline in market value of marketable security		(51,365)
Loss on sale of securities	(31,348)	
Share of extraordinary earnings of effectively controlled company		
United Tire & Rubber Co. Limited	25,172	
	<u>(6,176)</u>	<u>(51,365)</u>
Net Income (Loss)	<u>\$ 472,245</u>	<u>\$ (589,479)</u>
Earnings (loss) per share		
Income (loss) before extraordinary items	\$.41	\$ (.46)
Net income (loss)	\$.40	\$ (.50)
Fully diluted earnings per share		
Income before extraordinary items	\$.37	
Net income	\$.36	

Consolidated Statement of Retained Earnings

Year ended December 31, 1976

	1976	1975
Balance at beginning of year		
As previously reported	\$3,106,511	\$3,695,990
Share of prior period adjustments of effectively controlled companies		
United Tire & Rubber Co. Limited	21,013	21,013
Steintron International Electronics Ltd.	(61,724)	(61,724)
	<u>(40,711)</u>	<u>(40,711)</u>
As restated	3,065,800	3,655,279
Share of share issue expense of United Tire & Rubber Co. Limited	12,100	
	<u>3,053,700</u>	<u>3,655,279</u>
Net income (loss)	472,245	(589,479)
Balance at end of year	<u>\$3,525,945</u>	<u>\$3,065,800</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1976

ASSETS

Current Assets

	1976	1975
Accrued interest, dividends and accounts receivable	\$ 76,464	\$ 58,710
Mortgage proceeds receivable	210,000	
Marketable security, at market value		\$ 474,259
Principal due within one year on 9% debentures	95,000	95,000
Prepaid expenses	2,405	
	<u>383,869</u>	<u>627,969</u>

Investments

Common shares of effectively controlled companies, at equity value (note 2)		
Resolute Holdings Limited (note 1)		451,705
Steintron International Electronics Ltd.	4,111,729	3,545,652
Investment in United Tire & Rubber Co. Limited (note 2)	2,093,054	1,654,898
Partnership interests (note 3)		
I.C.D.-Tri-North Developments, at equity (cost in 1975)	317,921	217,000
Howmark of Canada, at equity	626,258	
Other investments, at cost	12,010	270,000
	<u>7,160,972</u>	<u>6,139,255</u>

Fixed Assets (note 4)

<u>490,455</u>	<u>5,093</u>
<u>\$8,035,296</u>	<u>\$6,772,317</u>

Approved by the Board

Director *Joseph Frieberg*Director *Robert Scolnick*

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1976

LIABILITIES

Current Liabilities

Bank advances (note 5)	\$1,257,650	\$ 644,979
Accounts payable and accrued liabilities	136,605	58,322
Loan payable	175,000	
Mortgage payable	26,500	
Deferred revenue	47,000	
Taxes payable	92,298	
Principal due within one year on long-term debt	3,982	150,000

1,739,035853,301

Long-Term Debt (note 6)

1,519,3001,450,000**SHAREHOLDERS' EQUITY**

Capital Stock (note 7)

Second preference shares	250,000	300,000
Common shares	1,245,198	1,245,198
	1,495,198	1,545,198

Retained Earnings

3,525,9453,065,800**5,021,143**4,610,998Deduct cost of company's common shares purchased
(note 7)**244,182**141,982**4,776,961**4,469,016**\$8,035,296**\$6,772,317

Contingent Liabilities (note 9)

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1976

	1976	1975
Working capital derived from		
Decrease in non-current portion of 9% debenture receivable	\$ 95,000	\$ 95,000
Sale of investment	250,000	
Sale of Resolute Holdings Limited operations	458,441	
Sale of United Tire & Rubber Co. Limited shares		26,412
	<u>803,441</u>	<u>121,412</u>
Working capital applied to		
Operations		
Loss before share of earnings (losses) of effectively controlled companies and extraordinary items	143,372	314,194
Share of undistributed earnings of partnerships	88,832	
	<u>232,204</u>	<u>314,194</u>
Dividends received from effectively controlled companies	(115,102)	(130,083)
Depreciation and amortization and other non-cash items	(14,159)	(4,253)
	<u>102,943</u>	<u>179,858</u>
Allowance for decline in market value of marketable security		51,365
Reduction in non-current portion of long-term debt	250,000	150,000
Investments	575,272	197,296
Partnership interests	638,347	
Second preference shares	50,000	50,000
Fixed assets purchased less mortgages of \$319,300	170,221	
Purchase of company's common shares	102,200	63,152
Loss on marketable securities	44,292	
	<u>1,933,275</u>	<u>691,671</u>
Decrease in working capital position	1,129,834	570,259
Working capital (deficiency) at beginning of year	(225,332)	344,927
Working capital deficiency at end of year	<u>\$1,355,166</u>	<u>\$ 225,332</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 1976

1. Basis of Consolidation

The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and its wholly owned subsidiary companies, I.C.D. Realty Limited and Resolute Holdings Limited.

As of February 29, 1976 Resolute Holdings Limited sold all its undertaking, property and assets to a partnership, Howmark of Canada and the proceeds of sale were distributed to its shareholders. Subsequent to the distribution the company acquired the remaining outstanding shares of Resolute Holdings Limited. The share of the loss of Resolute Holdings Limited for the period ended February 29, 1976 was accounted for on the equity basis.

2. Effectively Controlled Companies

The company accounts for effectively controlled companies on the equity basis.

United Tire & Rubber Co. Limited

	1976	1975
Shares at equity value	\$1,810,554	\$1,277,398
1,014,200 Class A special shares		
111,111 7% Cumulative convertible first preference shares		
400,000 10% Cumulative, convertible second preference shares (acquired in 1976)		
9% Debentures maturing to June 1, 1981 (less principal included in current assets)	282,500	377,500
	<u>\$2,093,054</u>	<u>\$1,654,898</u>

The company's holdings of Class A special shares represent a 40.41% interest.

Steintron International Electronics Ltd.

The company holds 415,515 common shares (1975, 399,815 common shares) of Steintron which represent a 57% interest. Because the company is restricted in its ability to operate Steintron as a subsidiary, it is considered that the consolidation of Steintron's accounts with those of the company is not appropriate.

3. Partnership Interests

I.C.D.-Tri-North Developments

Under the partnership agreement of the subsidiary company, I.C.D. Realty Limited contributes two-thirds of the capital and shares equally in profits and losses. Land, both under development and held for future development, is the principal asset of the partnership.

Assets and liabilities of the partnership as at January 1, 1977 are as follows:

Land, at cost	\$1,087,249
Other assets	16,626
	<u>1,103,875</u>
Liabilities	622,033
Capital	<u>\$ 481,842</u>

The cost of the land includes maintenance and development costs to date.

Howmark of Canada

As of February 29, 1976 Resolute Holdings sold its undertaking, property and assets to a partnership, Howmark of Canada. The company made an initial capital contribution of \$548,347 and from the inception of the partnership the company has a 50% share in its profits and losses.

4. Fixed Assets

	1976			1975
	Cost	Accumulated depreciation	Net	Net
Land	\$ 83,002	\$	\$ 83,002	\$
Buildings	406,644	\$ 2,811	403,833	
Automobile, office equipment and leasehold improvements	71,810	68,190	3,620	\$5,093
	<u>\$561,456</u>	<u>\$71,001</u>	<u>\$490,455</u>	<u>\$5,093</u>

5. Bank Advances and Loan

The bank advances and loan are secured by a general assignment of book debts, the common shares representing the company's holdings in United Tire & Rubber Co. Limited and Steintron International Electronics Ltd. and the debentures of United Tire & Rubber Co. Limited.

6. Long-Term Debt

	1976	1975
12 1/4% Mortgage payable February 1, 1982	\$ 210,000	
11 5/8% Mortgage payable November 1, 1980	113,282	
Bank loan	<u>1,200,000</u>	<u>\$1,600,000</u>
	1,523,282	1,600,000
Less principal included in current liabilities	3,982	150,000
	<u>\$1,519,300</u>	<u>\$1,450,000</u>

Interest is payable on the bank loan at the rate of 2% over prime.

Principal due on long-term debt in the four years subsequent to 1977 is:

1978	\$254,947
1979	955,558
1980	6,245
1981	109,746

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements (Continued)

Year ended December 31, 1976

7. Capital Stock

Authorized

- 40,000 First preference shares of \$100 par value, issuable in series
- 250,000 Convertible second preference shares of \$1 par value
- 10,000,000 Class A shares without par value
- 2,040,000 Common shares without par value

Issued

		1976	1975
250,000	Second preference shares (1975, 300,000 shares)	\$ 250,000	\$ 300,000
1,180,251	Common shares	<u>1,245,198</u>	<u>1,245,198</u>
		<u>\$1,495,198</u>	<u>\$1,545,198</u>

Common shares purchased

Year	Number of shares	Cost	Tax	Total
1974	31,900	\$ 69,630	\$ 9,200	\$ 78,830
1975	28,100	56,616	6,536	63,152
1976	64,400	95,349	6,851	102,200
	<u>124,400</u>	<u>\$221,595</u>	<u>\$22,587</u>	<u>\$244,182</u>

The company is required on or before April 30 in each year to set aside as a redemption fund for the redemption of second preference shares an amount equal to 10% of the aggregate par value of second preference shares issued. The aggregate par value of shares purchased for cancellation or converted into common shares shall be applied as a credit in satisfaction in whole or in part of any redemption fund payment. The second preference shares are convertible on the basis of two common shares for each five second preference shares. The company is required to redeem second preference shares to the extent that 50,000 second preference shares are not converted in each year.

In 1976, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares by 50,000 shares.

The following options on common shares are outstanding:

- 10,000 shares at \$4 per share, 5,000 shares being currently exercisable and 5,000 shares becoming exercisable in 1977. Both options expire in 1978.

5,000 shares at \$4.50 per share exercisable within the period ending June 14, 1979.

25,000 shares at \$2.05 per share, with 5,000 shares becoming available on October 24 each year up to 1977. The option as to all the shares not theretofore purchased terminates on October 24, 1978.

8. Income

	1976	1975
Received from United Tire & Rubber Co. Limited		
Preference dividends		\$ 8,750
Interest	\$ 38,636	47,156
Other interest and miscellaneous income	12,255	45,596
	<u>\$ 50,891</u>	<u>\$ 101,502</u>

Common dividends of \$115,102 were received from Steintron in 1976. The company accounts for its investments in Steintron and United Tire on the equity basis and accordingly the company's share of earnings (losses) for the year increased (decreased) the carrying value of the investments and the dividends received reduced the carrying value.

9. Contingent Liabilities

The company guarantees bank advances to I.C.D.-Tri-North Developments of \$350,000.

10. Income Taxes

At December 31, 1976, the company has losses carried forward on a tax filing basis of \$410,440, the tax effect of which has not been recorded in the accounts. These losses carried forward are available to reduce future income for tax purposes until:

1979	\$122,862
1980	\$251,978
1981	<u>\$ 35,600</u>
	<u>\$410,440</u>

11. Other Statutory Information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$107,000 (1975, \$107,400).

Auditors' Report

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Inter-Provincial Diversified Holdings Limited and its subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 20, 1977

THORNE RIDDELL & CO.
Chartered Accountants

FIVE YEAR FINANCIAL REVIEW

	1976	1975	1974	1973	1972
Howmark of Canada*					
Sales	\$ 9,297,872 *	\$ 6,658,275	\$ 5,907,271	\$ 5,545,741	\$ 5,334,871
Net earnings	319,836 *	266,594	195,593	(35,755)	(87,348)
Steintron International Electronics Ltd.					
Sales	50,289,416	41,249,142	27,613,368	18,739,000	13,998,000
Net earnings	1,079,146	907,323	1,161,470	929,000	654,000
United Tire & Rubber Co. Limited					
Sales	28,516,687	23,445,116	27,100,267	18,545,532	16,382,295
Net earnings	133,941	(2,005,326)	1,795,471	287,129	(1,228,979)

* 13 months — refer to notes 1 and 3



Inter-Provincial Diversified
Holdings Limited